# *Uniphos Indústria e Comércio de Produtos Químicos Ltda.*

*Financial Statements For the Year Ended March 31, 2016 and Independent Auditor's Report*

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte Touche Tohmatsu
Av. Dr. José Bonifácio Coutinho
Nogueira, 150 - 5º andar
Campinas - SP - 13091-611
Brasil

Tel: + 55 (19) 3707-3000
Fax:+ 55 (19) 3707-3001
www.deloitte.com.br

# INDEPENDENT AUDITOR'S REPORT

To the Quotaholders and Management of
Uniphos Indústria e Comércio de Produtos Químicos Ltda.
São Paulo - SP

## Introduction

We have audited the accompanying individual and consolidated financial statements of Uniphos Indústria e Comércio de Produtos Químicos Ltda. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheets as of March 31, 2016, and the statements of operations, of comprehensive loss, of changes in quotaholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of individual and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the individual and consolidated financial statements**

In our opinion, the individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Uniphos Indústria e Comércio de Produtos Químicos Ltda. as of March 31, 2016, and its individual and consolidated financial performance and its related cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

**Other matters**

Financial statements prepared in English

The accompanying financial statements have been prepared in English for the convenience of readers outside Brazil

Campinas, April 15, 2016

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Paulo de Tarso Pereira Jr.
Engagement Partner

UNIPHOS INDÚSTRIA E COMÉRCIO DE PRODUTOS QUÍMICOS LTDA.

BALANCE SHEETS AS OF MARCH 31, 2016
(In thousands of Brazilian reais - R$)

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| ASSETS | Note | 3/31/2016 | 3/31/2015 | 3/31/2016 | 3/31/2015 |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 5 | 129 | 181 | 113,352 | 37,120 |
| Trade accounts receivable | 6 | - | - | 814,606 | 617,354 |
| Inventories | 7 | - | - | 156,004 | 58,410 |
| Recoverable taxes | 8 | 17 | 16 | 8,290 | 6,768 |
| Related parties | 9 | 2,967 | 216 | 89,677 | 2,829 |
| Derivative financial instruments | 19 | - | - | - | 36,348 |
| Other assets | | - | - | 3,179 | 3,472 |
| Total current assets | | 3,113 | 413 | 1,185,108 | 762,301 |
| NONCURRENT ASSETS | | | | | |
| Trade accounts receivable | 6 | - | - | 271 | 3,030 |
| Related parties | 9 | 10,000 | - | 95,227 | - |
| Recoverable taxes | 8 | 3,063 | 3,063 | 3,149 | 4,995 |
| Deferred income tax and social contribution | 17 | - | - | 106,648 | 37,204 |
| Other assets | | - | - | 10,674 | 10,806 |
| Investments | 10 | 574,011 | 160,350 | - | - |
| Property, plant and equipment | 11 | - | - | 64,289 | 50,236 |
| Intangible assets | 12 | - | - | 146,893 | 243,087 |
| Total noncurrent assets | | 587,074 | 163,413 | 427,151 | 349,358 |
| TOTAL ASSETS | | 590,187 | 163,826 | 1,612,259 | 1,111,659 |

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| LIABILITIES AND QUOTAHOLDERS' EQUITY | Note | 3/31/2016 | 3/31/2015 | 3/31/2016 | 3/31/2015 |
| CURRENT LIABILITIES | | | | | |
| Borrowings and financing | 13 | - | - | 191,882 | 180,504 |
| Trade payables | 14 | 164 | - | 82,642 | 198,894 |
| Forfaiting and credit letters transactions | 15 | - | - | 148,067 | 18,250 |
| Related parties | 9 | - | 382 | 413,485 | 246,552 |
| Payroll and related taxes | | - | - | 28,888 | 13,566 |
| Taxes payable | | - | - | 2,930 | 20,549 |
| Advances from customers | | - | - | 6,009 | 14,106 |
| Derivative financial instruments | 19 | - | - | 26,152 | - |
| Other payables | | - | - | 34,584 | 9,115 |
| Total current liabilities | | 164 | 382 | 934,639 | 701,536 |
| NONCURRENT LIABILITIES | | | | | |
| Borrowings and financing | 13 | - | - | 3,161 | 4,240 |
| Related parties | 9 | 449,384 | 386,722 | 523,954 | 602,300 |
| Provision for labor and tax risks | 16 | - | - | 1,565 | 1,565 |
| Deferred income tax and social contribution | 17 | - | - | 8,223 | 25,223 |
| Other payables | | - | - | 78 | 73 |
| Total noncurrent liabilities | | 449,384 | 386,722 | 536,981 | 633,401 |
| TOTAL LIABILITIES | | 449,548 | 387,104 | 1,471,620 | 1,334,937 |
| QUOTAHOLDERS' EQUITY | | | | | |
| Capital | 18 | 563,040 | 149,743 | 563,040 | 149,743 |
| Capital reserve | 18 | 23,567 | 23,567 | 23,567 | 23,567 |
| Goodwill on acquisition of noncontrolling interest | 18 | (136,027) | (127,426) | (136,027) | (127,426) |
| Accumulated losses | | (314,445) | (273,666) | (314,445) | (273,666) |
| Other comprehensive income | | 4,504 | 4,504 | 4,504 | 4,504 |
| Total quotaholders' equity | | 140,639 | (223,278) | 140,639 | (223,278) |
| TOTAL LIABILITIES AND QUOTAHOLDERS' EQUITY | | 590,187 | 163,826 | 1,612,259 | 1,111,659 |

The accompanying notes are an integral part of these financial statements.

UNIPHOS INDÚSTRIA E COMÉRCIO DE PRODUTOS QUÍMICOS LTDA.

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2016
(In thousands of Brazilian reais - R$)

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 3/31/2016 | 3/31/2015 | 3/31/2016 | 3/31/2015 |
| NET REVENUES | 20 | - | - | 1,456,697 | 755,760 |
| COST OF SALES | 21 | - | - | (1,089,772) | (570,538) |
| GROSS PROFIT | | - | - | 366,925 | 185,222 |
| OPERATING INCOME (EXPENSES) | | | | | |
| Selling | 21 | - | - | (100,848) | (44,787) |
| General and administrative | 21 | (190) | (439) | (122,842) | (90,425) |
| Exchange rate variation on trade receivables and payables | 21 | - | - | (16,394) | (51,798) |
| Equity pick up | 10 | 23,637 | 6,888 | - | - |
| Other operating (expense) income, net | | - | - | (9,725) | (5,085) |
| | | 23,447 | 6,449 | (249,809) | (192,095) |
| OPERATING INCOME | | 23,447 | 6,449 | 117,116 | (6,873) |
| Finance income | 22 | - | - | 83,178 | 136,598 |
| Finance expenses | 22 | (22,340) | (13,663) | (175,373) | (81,823) |
| Exchange rate variation on borrowing and financing | 22 | (41,886) | (112,616) | (53,508) | (152,555) |
| | | (64,226) | (126,279) | (145,703) | (97,780) |
| LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION | | (40,779) | (119,830) | (28,587) | (104,653) |
| INCOME TAX AND SOCIAL CONTRIBUTION | | | | | |
| Current | 17 | - | 1,910 | (41,504) | (31,072) |
| Deferred | 17 | - | - | 29,312 | 20,327 |
| | | - | 1,910 | (12,192) | (10,745) |
| NET LOSS FOR THE YEAR | | (40,779) | (117,920) | (40,779) | (115,398) |
| ATTRIBUTABLE TO | | | | | |
| Owners of the Company | | (40,779) | (117,920) | (40,779) | (117,920) |
| Noncontrolling interests | | - | - | - | 2,522 |
| | | (40,779) | (117,920) | (40,779) | (115,398) |

The accompanying notes are an integral part of these financial statements.

UNIPHOS INDÚSTRIA E COMÉRCIO DE PRODUTOS QUÍMICOS LTDA.

STATEMENT OF COMPREHENSIVE LOSS FOR THE YEAR ENDED MARCH 31, 2016
(In thousands of Brazilian reais - R$)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2016 | 3/31/2015 | 3/31/2016 | 3/31/2015 |
| LOSS INCOME FOR THE YEAR | (40,779) | (117,920) | (40,779) | (115,398) |
| OTHER COMPREHENSIVE INCOME/ LOSS | | | | |
| Items that will not be subsequently reclassified to the statement of operations: | - | - | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | (40,779) | (117,920) | (40,779) | (115,398) |
| ATTRIBUTABLE TO | | | | |
| Owners of the Company | (40,779) | (117,920) | (40,779) | (117,920) |
| Noncontrolling interests | - | - | - | 2,522 |
| | (40,779) | (117,920) | (40,779) | (115,398) |

The accompanying notes are an integral part of these financial statements.

UNIPHOS INDÚSTRIA E COMÉRCIO DE PRODUTOS QUÍMICOS LTDA.

STATEMENT OF CHANGES IN QUOTAHOLDERS' EQUITY FOR THE YEAR ENDED MARCH 31, 2016
(In thousands of Brazilian reais - R$)

| | | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Capital | Capital reserve | Goodwill on acquisition of noncontrolling interest | Accumulated losses | Other income | Total | Noncontrolling interests | Total |
| BALANCES AS AT APRIL 1, 2014 | | 121,042 | 23,567 | - | (155,746) | 4,504 | (6,633) | 133,465 | 126,832 |
| Capital increase | 18 | 28,701 | - | - | - | - | 28,701 | - | 28,701 |
| Goodwill on acquisition of noncontrolling interest | 18 | - | - | (127,426) | - | - | (127,426) | (135,987) | (263,413) |
| Net loss for the year | | - | - | - | (117,920) | - | (117,920) | 2,522 | (115,398) |
| BALANCES AS AT MARCH 31, 2015 | | 149,743 | 23,567 | (127,426) | (273,666) | 4,504 | (223,278) | - | (223,278) |
| Capital increase | 18 | 413,297 | - | - | - | - | 413,297 | - | 413,297 |
| Tax benefit generated from the merger of United at UPL Brasil | 17 | - | | - | - | - | - | - | - |
| Goodwill on acquisition of noncontrolling interest | 18 | - | - | (8,601) | - | - | (8,601) | - | (8,601) |
| Net loss for the year | | - | - | - | (40,779) | - | (40,779) | - | (40,779) |
| BALANCES AS AT MARCH 31, 2016 | | 563,040 | 23,567 | (136,027) | (314,445) | 4,504 | 140,639 | - | 140,639 |

The accompanying notes are an integral part of these financial statements.

UNIPHOS INDÚSTRIA E COMÉRCIO DE PRODUTOS QUÍMICOS LTDA.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2016
(In thousands of Brazilian reais - R$)

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 3/31/2016 | 3/31/2015 | 3/31/2016 | 3/31/2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net loss for the year | | (40,779) | (117,920) | (40,779) | (115,398) |
| Adjustments to reconcile net loss for the year to net cash (used in) provided by operating activities: | | | | | |
| Income tax and social contribution - current and deferred | 17 | - | 1,910 | 12,192 | 10,745 |
| Depreciation and amortization | 11 and 12 | - | - | 64,893 | 64,315 |
| Allowance for doubtful accounts | 6 | - | - | 9,062 | 13,853 |
| (Reversal of provision) provision for net realizable value of inventories | 7 | - | - | 1,447 | (397) |
| Equity pick up | 10 | (23,637) | (6,888) | - | - |
| Net book value of property, plant and equipment and intangible assets disposed | | - | - | 771 | 556 |
| Exchange variation on intercompany loans | | - | 112,616 | - | 112,616 |
| Exchange variation arising from related parties balances | | - | - | - | (558) |
| Interest on borrowings and financing | 22 | - | 13,562 | 20,180 | 28,697 |
| Gain on derivative financial instruments | 22 | - | - | 62,500 | (37,704) |
| Exchange rate variation on borrowing and financing | 22 | - | - | 11,622 | 39,939 |
| Present value adjustment on trade accounts receivable and payables | | - | - | 7,965 | 13,252 |
| Reversal impairment of intangibles | 12 | - | - | (2,269) | - |
| (Reversal of provision) provision for labor risks | 16 | - | - | - | (2,748) |
| (Increase) decrease in operating assets: | | | | | |
| Trade accounts receivable | | - | - | (211,520) | (251,190) |
| Inventories | | - | - | (99,041) | 32,124 |
| Recoverable taxes | | (1) | (2,806) | 324 | (4,511) |
| Related parties | | - | - | (182,075) | (2,351) |
| Other assets | | - | - | 424 | (2,441) |
| Increase (decrease) in operating liabilities: | | | | | |
| Trade payables | | 164 | - | (116,252) | 2,383 |
| Related parties | | 62,280 | 45 | 253,166 | 143,811 |
| Forfaiting and credit letters transactions | | - | - | 129,818 | 22,875 |
| Payroll and related taxes | | - | - | 15,322 | 991 |
| Taxes payable | | 3,062 | (758) | (43,323) | 1,969 |
| Advances from customers | | - | - | (8,097) | 13,669 |
| Payables to previous shareholders | | - | - | (164,579) | - |
| Other payables | | - | - | 25,474 | 9,269 |
| Cash (used in) provided by operating activities | | 1,089 | (239) | (252,775) | 93,766 |
| Interest paid | | - | - | (11,316) | (17,791) |
| Income tax and social contribution paid | | (3,062) | (3,062) | (15,800) | (19,634) |
| Net cash (used in) provided by operating activities | | (1,973) | (3,301) | (279,891) | 56,341 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Capital increase in subsidiary | 10 | (401,376) | (25,590) | - | - |
| Acquisition of noncontrolling interest in subsidiary | 10 | - | - | (8,601) | (23,694) |
| Purchases of property, plant and equipment | 11 | - | - | (16,688) | (13,452) |
| New intercompany loan | 9 | (10,000) | - | - | - |
| Purchases of intangible assets | 12 | - | - | (18,644) | (14,886) |
| Net cash used in investing activities | | (411,376) | (25,590) | (43,933) | (52,032) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Capital increase in cash | 18 | 413,297 | 28,701 | 413,297 | 28,701 |
| New borrowings and financing | | - | - | 285,460 | 285,001 |
| Payments of borrowings and financing | | - | - | (298,701) | (332,391) |
| Net cash provided by (used in) financing activities | | 413,297 | 28,701 | 400,056 | (18,689) |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (52) | (190) | 76,232 | (14,380) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 181 | 371 | 37,120 | 51,500 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | 129 | 181 | 113,352 | 37,120 |

The accompanying notes are an integral part of these financial statements.

## 1. OPERATIONS

Uniphos Indústria e Comércio de Produtos Químicos Ltda. ("the Company"), located in the city of São Paulo, was incorporated on July 13, 2011 and is engaged in managing own real estate assets and holding investments in other entities as a partner or shareholder.

The Company has a direct investment in UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A. ("UPL Brasil") purchased on July 25, 2011 through the investment in United Phosphorus Indústria e Comércio de Produtos Químicos Ltda. ("United"). UPL Brasil is headquartered in the city of Ituverava, with a branch in Campinas, State of São Paulo, and branches in Cuiabá - State of Mato Grosso, Carazinho - State of Rio Grande do Sul, Aparecida de Goiânia - State of Goiás, Ibiporã - State of Paraná and Luiz Eduardo Magalhães - State of Bahia, and is engaged in:

- Production, packaging, repackaging, handling, storage, distribution, shipment, transportation, import, export, trading and sales representation of agricultural products and other chemicals; sanitizing products; household cleaning products; pesticides; fertilizers; soil ameliorators; products for veterinary use, wood treatment and agricultural use; inoculants; anti-growth products; semiochemicals; biosynthetic products; essential products; and natural products.

- Provision of phytosanitary services and technical assistance in the application of chemicals for agricultural, veterinary, sanitary and household cleaning use.

- Temporary or definitive onerous assignment of trademarks, patents, registrations or production techniques.

- Purchase, sale, import and export of grains and other agricultural and similar products and holding equity interests in other companies as a shareholder.

During the year ended March 31, 2016 UPL Brasil merged United based on the net assets as of January 31, 2016. United was engaged in the holding investment in other entities as a partner or shareholder as well as in providing services related to obtaining records of chemicals in general, essential products for agriculture, fertilizers, sanitizing products, pesticides, fertilizers, natural products with the Brazilian authorities.

The Appraisal Report on the Book Shareholders' Equity of United Phosphorus Indústria e Comércio de Produtos Químicos Ltda. calculated through Accounting Books for Purposes of Capital Contribution in Another Company as of January 31, 2016" and as a result have to conclude about the accounting effects on the Brazilian Group Companies balance sheet and P&L as disclosed in Note 18.

The Company´s yearend is March 31 of each year. Uniphos Indústria e Comércio de Produtos Químicos Ltda. and its subsidiaries are hereinafter referred to as "Company" for purposes of these financial statements, unless otherwise stated.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1. Statement of compliance

The financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise the policies set out in the Brazilian Corporate Law and technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (“CPC”) and approved by the Federal Accounting Council (“CFC”).

### 2.2. Basis of preparation

The financial statements were prepared in Real (R$), which is the Company’s functional currency, and on the historical cost basis except for certain financial instruments that are measured fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of CPC 10, leasing transactions that are within the scope of CPC 06, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in CPC 16 or value in use in CPC 01.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs are inputs, other than quoted prices included within Level 1,that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs are unobservable inputs for the asset or liability.

The summary of the significant accounting practices adopted in the preparation of the financial statements is as follows:

### 2.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its Subsidiaries. Control is achieved when the Company:

- Has power over the investee.

- Is exposed, or has rights, to variable returns from its involvement with the investee; and

- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a Subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Company's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable CPCs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under CPC 38, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The list of subsidiaries considered for purposes of the consolidated financial statements is as follows:

| Name of subsidiary | Country of incorporation | Direct interest | Indirect interest |
|---|---|---|---|
| UPL do Brasil Indústria e Comércio de Insumos Agropecuários S.A. | Brazil | 99.99% | - |
| DVA Technology Argentina S.A. | Argentina | - | 100% |
| Perrey Participações S.A | Brazil | 100% | - |

Refer to Note 10 for detailed information about the Company’s subsidiaries.

## 2.4. Business combination

In the consolidated financial statements, acquisitions of businesses are accounted for using the acquisition method, which consists in the sum of the fair values of the assets transferred and liabilities assumed on the date of transfer of control of the acquiree (acquisition date). Acquisition-related costs (fees related to due diligence, lawyers, etc.) are generally recognized in profit or loss as incurred.

Goodwill arising on the acquisition of a business is stated as the cost of business combination exceeding the acquirer’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities acquired or assumed.

Goodwill and other intangible assets with indefinite useful lives are not amortized; however, the asset is tested for impairment at least annually (see item 2.5 below). Any permanent impairment identified is recognized immediately in profit or loss and is not subject to subsequent reversal.

On disposal of a subsidiary or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

If the acquirer’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the acquisition cost, the excess (previously known as negative goodwill) is recorded as an immediate gain in profit or loss for the year in which the acquisition occurred.

Goodwill on acquisition is adjusted during the measurement period (period of up to twelve months from the acquisition date) if contingent assets and liabilities attributable to the acquisition date are identified during such period. After the measurement period, the contingent consideration attributable to the asset or liability is remeasured on the date of the subsequent financial statements, in accordance with CPC 38, or CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, as applicable, and the respective gains or losses are recognized in profit or loss for the current year.

In the individual financial statements, the Company applied Technical Interpretation ICPC - 09, which requires that the excess of the cost of the investment over the Company’s share of the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities on the acquisition date be recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment should be recognized immediately in profit or loss. The consideration transferred, as well as the net fair value of the assets and liabilities are measured using the same criteria applicable to the consolidated financial statements previously described.

2.5. Allocation of goodwill balances

Goodwill arising from a business combination is stated at cost on the business combination date (see item 2.4 previously presented), net of any accumulated impairment loss.

For impairment purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-Generating Units - CGUs), which, at the Company, correspond to each of the stores.

The goodwill allocated to each cash-generating unit is tested for impairment annually or more frequently when there are indications that the cash-generating unit presents a below-than-expected performance. If the recoverable amount of a cash-generating unit is lower than its carrying amount plus the goodwill attributable to such cash-generating unit, impairment losses are firstly allocated to write down the goodwill allocated to the unit and subsequently to the other assets of the unit, prorated to the carrying amount of each of its assets. Impairment losses on goodwill are directly recognized in profit or loss for the year in which it was identified, which is not reversed in subsequent periods, even if the factors requiring its recording no longer exist.

2.6. Assets and liabilities denominated in foreign currencies

In preparing the financial statement of each individual Company entity, transactions in currencies other than the Brazilian Real are recognized at the rates of exchanges prevailing on the dates of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

2.7. Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss' (FVTPL), held-to-maturity investments, available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

<u>Effective interest method</u>

The effective interest method is a method of calculation the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

<u>Financial assets at fair value through profit or loss</u>

Financial assets are classified as at fair value through profit or loss when they are either held for trading or they are designated as at fair value through profit or loss when acquired.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term.

- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 25.

Loans and receivables

The Company considers the following classes of financial assets and liabilities as part of the category of loans and receivables: cash and cash equivalents, trade accounts receivable, and other receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or

- Breach of contract, such as a default or delinquency in interest or principal payments; or

- It becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade accounts receivable, the allowance for doubtful accounts is calculated based on the assessment of credit risks, which includes the history of losses, the individual situation of customers, the situation of the Company to which they belong, guarantees for the debts, and the assessment by the legal counsel, and is considered sufficient to cover any losses on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade accounts receivable, where the carrying amount is reduced through the use of an allowance account. When trade accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets included in the category of loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. lf the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantiality all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

2.8. Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities are classified as at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term or.
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on premeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 19.

<u>Other financial liabilities</u>

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gain or losses.

<u>Derivative financial instruments</u>

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks. Further details of derivative financial instruments are disclosed in note 19.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

<u>Financial guarantee contracts</u>

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Company entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with CPC 25; and

- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Company derecognizes financial liability when, and only when, the Company's obligation are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2.9. Cash and cash equivalents

Comprise cash, banks and highly liquid short-term investments with original maturity of 90 days or less from the investment date and these short-term investments are highly liquid and stated at cost, plus income earned through the reporting date.

2.10. Trade accounts receivable

Recorded in the balance sheet at their original amounts, plus exchange rate variation, when applicable, and adjusted at net present value. When deemed necessary by Management, an allowance for doubtful accounts is recorded based on an analysis of the aging of receivables, in an amount considered sufficient by Management to cover probable losses on their collection.

2.11. Present value adjustment

Assets and liabilities arising from short-term or long-term transactions, when there is a material effect, are adjusted to present value based on the discount rate used by the Company for funding purposes, which is compatible with the interest rates for government securities with similar risks and terms. The reversals of adjustment to present value are recorded under "financial income and expenses". The discount rate used was approximately 1% per month, which is based on effective discount rate used by the Company. Measurement of the present value adjustment was performed in "pro rata die" exponential basis, from the origin of each transaction.

2.12. Inventories

Stated at the lower of cost and net realizable value (estimated selling price in the normal course of business less all estimated costs of completion and costs necessary to make the sale). The Company determines the cost of its inventory by using the absorption method based upon the weighted average cost. Provisions for slow-moving or obsolete inventories are recorded when considered necessary by Management.

2.13. Other current and non-current assets

Other current and non-current assets are stated at cost plus, when applicable, accrued yields and inflation adjustment through the end of the reporting period, less any reserve for adjustment to realizable value, when applicable.

2.14. Investments in subsidiaries

Investments in subsidiaries are recognized by the equity method from the date that its control is acquired. According to this method, investments in subsidiaries are recognized in the financial statements at the acquisition cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee, in the investor's statement of operations. These effects are recognized in income and expenses when selling or writing-off the investment.

After reducing to zero the balance value of investor share, additional losses are considered, and a liability (provision for unfunded liabilities) is recognized only to the extent in which the investor has incurred into legal or constructive obligations (not formalized) to make payments on behalf of the subsidiary.

On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable and liabilities accounted is treated as goodwill. Additionally, investment balance may be reduced by the recognition of impairment losses.

2.15. Property, plant and equipment

Stated at cost less depreciation, except for land and construction in progress, which is not depreciated and subsequent accumulated impairment losses. Depreciation is calculated under the straight-line method, based on the estimated useful lives of the assets.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost include professional fees and, for qualifying asset, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent costs are added to the residual value of property, plant and equipment or recognized as a specific item, as appropriate, only if future economic benefits associated to these items are probable and the amounts can be reliably measured.

The residual balance of the replaced item is written off. Other repairs and maintenance are directly recognized in profit or loss for the year when incurred. The residual value and useful life of the assets are reviewed and adjusted, if necessary, at the fiscal year end. The residual value of property, plant and equipment is immediately written off at their recoverable value when the residual balance exceeds the recoverable value.

Asset held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.16. Intangible assets

Software

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives, which is five years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

The Company reviews the amortization period and amortization method for intangible assets with finite lives every year.

Trademarks, patents and licenses

Expenditures related to research activities undertaken for the purpose of acquiring know-how and new scientific or technical knowledge are recognized in profit and loss as incurred. Development activities relate to a plan for the production of new products or processes or significant improvement of existing products or processes.

Expenditures for development activities are recognized as an intangible asset only if: it is possible to reliably measure the development costs; it is technically and commercially possible to implement the product or process; future economic benefit is expected from the product and the Company has intentions and sufficient resources to complete development of the asset and then use or sell it. The expenditures capitalized in respect of development activities include the cost of materials and overhead expenses as well as other related costs necessary for the completion of the register within Brazilian Authorities that can be directly attributed to preparing the asset for its intended use. Other costs for development activities are recognized in profit and loss as incurred.

In subsequent periods, capitalized development costs are measured at cost less accumulated amortization and accrued impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss when incurred.

Registration costs incurred for products that can be identified and separated, and which in the Company's estimation will produce future economic benefit, are recognized as an asset in the "intangible assets" category and are amortized over the period of economic benefit they are expected to provide.

2.17. Impairment of tangible and intangible assets

On the date of each financial statement, the Company assess whether there is evidence that the carrying value of an asset will not be recovered. If such evidence is identified, the Company estimates the recoverable amount of the asset.

The recoverable amount of an asset is defined as the greater between: (a) its fair value less costs that would be incurred to sell it, and (b) its value in use. Value in use is equal to the discounted cash flow (before taxes) derived from the continued use of the asset until the end of its useful life.

Except with respect to the reduction in value of goodwill, when applicable, reversal of previously recognized losses is allowed. The reversal in these circumstances is limited to the depreciated balance of the asset at the date of the reversal, assuming that the reversal has not been recorded.

2.18. Receivables and payables denominated in foreign currency or subject to inflation adjustment

Receivables and payables, legally or contractually subject to indexation, are adjusted for inflation through the end of the reporting period, and assets and liabilities denominated in foreign currency are translated into Brazilian Real at the exchange rates in effect at the end of the reporting period. The contra entries to these adjustments are reflected directly in profit or loss for the year.

2.19. Income tax and social contribution

The expense for income tax and social contribution is calculated in accordance with the legal tax basis existing on the date of financial statements. Management periodically evaluates positions taken in relation to tax matters which are subject to interpretation and recognizes a provision when there is an expectation of payment of income tax and social contribution in accordance with tax bases. Current tax is the tax payable or receivable on the expected taxable profit or loss for the year, the tax rates in effect on the date of the financial statements.

The Company only recognizes a provision on fiscal matters if a past event origins a present obligation. The Company determines whether a present obligation exists at year end taking into consideration all available evidence, including, for example, the legal counsel´s opinion.

Current taxes

Income tax is calculated at the rate of 15% on taxable income plus 10% of surtax on taxable income exceeding R$240, and social contribution is calculated at the rate of 9% on taxable income.

Deferred taxes

Deferred income tax and social contribution are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income, including the balance of tax losses, when applicable. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and tax loss carryforwards to the extent that it is probable that taxable income will be available against which those deductible temporary differences and tax loss carryforwards can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

2.20. Financial instruments

Measurement of financial instruments, including derivatives: (a) at fair value or equivalent value for trading securities or available-for-sale securities, and (b) at the purchase or issue value, adjusted in conformity with contract or legal provisions and adjusted to realizable value, when this is lower, for held-to-maturity securities.

The Company has derivatives to hedge against the net exposure to exchange rate risks related to imports and exports/borrowings. Net gains or losses are recognized in the statement of operations as financial income or expenses.

2.21. Employee benefits

The Company has several employees benefit plans, healthcare, profit sharing plans and defined contribution retirement plans. The main plans granted to the Company's employees are described in Note 28.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

2.22. Provisions

Recognized when the Company has a present obligation (legal or constructive) as a result of a past event, with probable outflow of resources, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the settlement amount at the end of the reporting period, considering the risks and uncertainties related to the obligation. When the provision is measured based on the estimated cash flow to settle the current obligation, its value is determined using the present value of these cash flows.

When the economic benefit required settling a provision is expected to be received from third parties, this amount receivable is recorded as an asset only when reimbursement is virtually certain and can be reliably estimated.

2.23. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.24. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances, including present value adjustment.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of goods is recognized when goods are delivered and legal title is passed. Freight on sales is recorded as selling expenses.

Deferred revenue is recognised as deferred income and amortized on a straight-line basis over five years.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by references to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset's net carrying amount on initial recognition.

## 3. CRITICAL ACCOUTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

ln the application of the Company's accounting policies, which are described in note 2, the Company´s Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 3.1. Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

<u>Income and social contribution taxes</u>

Income projections prepared by management and approved by the Board, which contain many assumptions and judgments, aiming to measure the potential to generate future taxable income to support the realization of the recorded deferred income tax and social contribution taxes assets. The actual future taxable income may be higher or lower than the estimates made when determining the need for registering the income tax and social contribution.

Useful life of property, plant and equipment

The Company recognizes depreciation of its property, plant and equipment based on estimated useful lives, which is based on their practices and prior experience and reflects the economic life of these assets. However, the actual useful lives may vary due to several factors. The useful lives of property also affect the recovery testing cost.

Present value adjustment

The Company calculates the present value mainly for revenues by using a discount rate that reflects the best evaluations of the market, which tracks the change in the rate of interbank deposit rate ("CDI"). The discount rate used on March 31, 2016 was approximately 12% per annum (12% as of March 31, 2015). Measuring the present value adjustment was performed in "pro rata die" exponential basis, from each transaction date.

Reduction of the recoverable amounts of the assets

At each period ending date, the Company reviews the balances of property, plant and equipment and intangible, assessing whether or not an indication that those assets have suffered a reduction in their recovery values (value in use). The existence of such indicators, management performs a detailed analysis of the recoverable amount for each asset by calculating the individual future cash flow discounted to present value by adjusting the balance of the respective assets, if necessary.

3.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for carrying and obsolete inventories

The provision for inventory is recorded based on an analysis of sales prices, net of the effects of taxes and expenditure fixed incurred on sales efforts. The provision for obsolescence is determined based on the individual analysis of the age of the items in stock and the likelihood of future use.

Allowance for doubtful accounts

When there is an evidence of impairment loss, the directors of the Company take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial assist's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise.

Provision for labor, civil and tax risks

The Company is involved in labor, civil and tax risks and administrative proceedings, as described in note 19. Provisions are recognized for all risks relating to lawsuits representing probable losses and estimated with a certain degree of security. The likelihood of loss includes evaluation of available evidence, the hierarchy of laws, case law available, the most recent court decisions and its relevance in the legal system as well as the assessment of external lawyers. Management believes that the reserves for labor, civil and tax risks are properly recognized in the financial statements.

The settlement of transactions involving these estimates may result in values different from those recorded in the consolidated financial statements due to inaccuracies inherent in the estimation process. These estimates and assumptions are periodically reviewed

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company uses the fair values quoted by the counterparty financial institutions.

The Company used valuation technique that includes inputs that are not based on observable market data to estimate the fair value of derivative financial instruments. Additional disclosures have been made (please refers to Note 25) about the valuation inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

## 4. NEW STANDARDS AND AMENDMENTS TO AND INTERPRETATIONS OF STANDARDS

In the current year, the Company has assessed various amendments and new interpretations to IFRS and CPCs issued by the International Accounting Standards Board - IASB and by the Accounting Pronouncements Committee (CPC), that are mandatory effective for accounting periods beginning on January 1, 2015, being none of them brought impact to the Company's financial statements.

A summary of the main amendment to standard and pronouncements is presented below:

| Pronouncement or interpretation | Description |
|---|---|
| IAS19 - defined benefit plans: Employee contributions | Change the accounting methodology for discretionary employees' contribution. |

As part of the CPC's commitment to adopt in Brazil all the amendments to the International Financial Reporting Standards - IFRS introduced by the International Accounting Standards Board - IASB, amendments to certain accounting pronouncements have already been disclosed by the IASB, but have not yet been implemented by the CPC. The main accounting pronouncements that were subject to amendments are described below:

| Pronouncement or interpretation | Description |
|---|---|
| Amendments to IFRS 9 - Financial Instruments (effective for reporting periods beginning on or after January 1, 2018) | IFRS 9 is the first standard issued as part of a broader process to supersede IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the combined measurement model and establishes two measurement categories for financial assets: amortized cost and fair value. The classification basis depends on the entity's business model and the characteristics of the contractual cash flow of the financial asset. The guidance in IAS 39 about the impairment of financial assets and hedge accounting continues applicable. |

| Pronouncement or interpretation | Description |
|---|---|
| IFRS 15 - Revenue from Contracts with Customers (effective for reporting periods beginning on or after January 1, 2017) | IFRS 15 superseded IAS 18, IFRIC 13 and SIC 31 (CPC 30 (R1)), IAS 11 (CPC 17 (R1)), IFRIC 15 (ICPC 02) and IFRIC 18 (ICPC 11). IFRS 15 specifies how and when an entity will recognize revenue arising from contracts and relationships with customers and requires that these entities provide more detailed and relevant disclosures to users of financial statements. Such standard provides in a single document principles for recognition applicable to all types of revenues from contracts and/or relationship with customers. |
| Amendments to IFRS 11/ CPC 19 (R2) - Joint Arrangements (effective for reporting periods beginning on or after January 1, 2016) | The amendments to IFRS 11/CPC 19 (R2) provide guidance on how to account for the acquisition of a joint operation that constitutes a "business" as defined in FRS 3/CPC 15 (R1) - Business Combination. A joint operation also requires the disclosure of relevant information required by IFRS 3/CPC 15 (R1) and other standards on business combination. |
| Amendments to IAS 1/CPC 26 (R1) - Disclosure initiative (effective for reporting periods beginning on or after January 1, 2016) | The amendments to IAS 1/CPC 26 provide guidance on how to apply the concept of materiality in practice. |
| Amendments to IAS 16/CPC 27 and to IAS 38/CPC 04 (R1) - Clarification of Acceptable Depreciation and Amortization Methods (effective for reporting periods beginning on or after January 1, 2016) | The amendments to IAS 16/CPC 27 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38/CPC 04 (R1) introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. |
| Amendments to IAS 16/CPC 27 and to IAS 41/CPC 29 - Agriculture: Bearer Plants (effective for reporting periods beginning on or after January 1, 2016) | The amendments to IAS 16/CPC 27 and IAS 41/CPC 29 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16/CPC 27, instead of IAS 41/CPC 29. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41/CPC 29. |

| Pronouncement or interpretation | Description |
|---|---|
| Amendments to IFRS 10/CPC 36 e IAS 28/CPC 18 - Sale or contribution of assets between an investor and its associate or "joint venture" (effective for reporting periods beginning on or after January 1, 2016) | The amendments deal with situations where there is a sale or a contribution of assets between an investor and its associate or "joint venture". |
| Amendments to IFRS 10/CPC 36 IFRS 12/CPC 45 e IAS 28/CPC 18 - investment entities: Applying the consolidation exception (effective for reporting periods beginning on or after January 1, 2016) | the amendments clarify that the exemption from preparing consolidate financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. |

Management has not yet assessed the possible impacts of the amendments that will be introduced.

(1) Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

(2) Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The Company Management do not anticipate that the application of these amendments will have a significant impact on the Company's consolidated financial statements.

## 5. CASH AND CASH EQUIVALENTS

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2016 | 3/31/2015 | 3/31/2016 | 3/31/2015 |
| Cash on hand and in banks | - | 181 | 621 | 3,125 |
| Short-term investments | 129 | - | 112,731 | 33,995 |
| Total | 129 | 181 | 113,352 | 37,120 |

Short-term investments refer to Bank Deposit Certificates ("CDB"), with a yield equivalent to 75% to 100% of the Interbank Deposit Certificate ("CDI") (75% to 100% as of April 1, 2015).

## 6. TRADE ACCOUNTS RECEIVABLE

| | Consolidated | |
|---|---|---|
| | 3/31/2016 | 3/31/2015 |
| Domestic customers | 935,417 | 725,983 |
| Present value adjustment | (36,720) | (30,841) |
| Subtotal | 898,697 | 695,142 |
| Allowance for doubtful accounts | (83,820) | (74,758) |
| Total | 814,877 | 620,384 |
| | | |
| Current | 814,606 | 617,354 |
| Noncurrent | 271 | 3,030 |
| | 814,877 | 620,384 |

Present value adjustment

The adjustment to present value in the amount of R$36,720 as of March 31, 2016 (R$30,841 as of March 31, 2015) was calculated for all trade accounts receivable, except those arising from commercial arrangements settled within a short period of time and whose effect is immaterial. Its calculation takes into account the term of realization of the asset by using a discount rate of approximately 1% per month, based on effective discount rate used by the Company on its revenue transactions.

Credit assignment without recourse

During the year ended March 31, 2016, the Company conducted trade receivables credits assignment without recourse in the amount of R$103,067 (R$24,273 in 2015) and incurred in finance expenses on credits assignment of R$9,717 (R$1,467 in 2015), recorded as "Finance expenses" in the statement of income for the year ended.

The changes in the allowance for doubtful accounts are as follows:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Opening balance, net | 74,758 | 60,905 |
| Addition to the allowance for doubtful accounts | 30,361 | 37,963 |
| Reversals | (20,271) | (22,989) |
| Write-off | (1,028) | (1,121) |
| Closing balance, net | 83,820 | 74,758 |

The aging list of trade accounts receivable is as follows:

| | Consolidated | |
|---|---|---|
| | 3/31/2016 | 3/31/2015 |
| Current: | | |
| From 1 to 30 days | 82,619 | 47,260 |
| From 31 to 60 days | 272,324 | 176,141 |
| From 61 to 90 days | 51,157 | 46,991 |
| From 91 to 180 days | 261,730 | 203,461 |
| From 181 to 360 days | 138,018 | 133,274 |
| Over 360 days | 271 | 3,030 |
| Total falling due | 806,119 | 610,156 |
| Past due: | | |
| From 1 to 30 days | 13,263 | 5,186 |
| From 31 to 60 days | 32 | 115 |
| From 61 to 90 days | 533 | 353 |
| From 91 to 180 days | 1,862 | 2,901 |
| From 181 to 360 days | 20,390 | 36,344 |
| Over 360 days | 56,480 | 40,086 |
| Total past-due | 92,560 | 84,985 |
| | 898,697 | 695,142 |

Past due amounts over 360 days increased mainly due to crop failures occurred in the 2015/2016 harvest, for which the Company recorded an allowance for doubtful accounts for the cases that risk of realization was identified.

As of March 31, 2016, the Company had accounts receivable pledged as collateral to secure the Company´s working capital financing, agribusiness credit right certificates and import financing in the amount of approximately R$57,985 (R$73,945 in March 31, 2015).

## 7. INVENTORIES

| | Consolidated | |
|---|---|---|
| | 3/31/2016 | 3/31/2015 |
| Finished goods | 108,179 | 42,044 |
| Raw materials | 22,463 | 9,905 |
| Imports in transit | 23,352 | 5,375 |
| Advances to suppliers | 2,010 | 1,086 |
| Total | 156,004 | 58,410 |

As of March 31, 2016, the Company recorded a provision for net realizable value of finished goods of R$4,716 (R$3,269 as of March 31, 2015), which is considered sufficient by Management to cover probable losses on the realization of inventories.

Changes in the provision for net realizable value of finished goods, which reduced the balance of inventories, are as follows:

| | |
|---|---|
| Balance at March 31, 2014 | 3,666 |
| Recognition of provision | (397) |
| Balance at March 31, 2015 | 3,269 |
| Recognition of provision | 1,447 |
| Balance at March 31, 2016 | 4,716 |

As of March 31, 2016, the Company did not have inventories pledged as collateral to secure the Company´s financing. The balance as of March 31, 2015 was of approximately R$14,350.

## 8. RECOVERABLE TAXES

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 3/31/2016 | 3/31/2015 | 3/31/2016 | 3/31/2015 |
| State VAT (ICMS) (a) | - | - | 6,353 | 4,703 |
| Income tax and social contribution | 3,063 | 3,063 | 9,069 | 6,222 |
| PIS AND COFINS (taxes on revenue) | - | - | 1,292 | 1,157 |
| IPI (federal VAT) | - | - | 855 | 361 |
| Provision for nonrealization of ICMS tax credits | - | - | (6,162) | (797) |
| Others | 17 | 16 | 32 | 117 |
| Total | 3,080 | 3,079 | 11,439 | 11,763 |
| | | | | |
| Current | 17 | 16 | 8,290 | 6,768 |
| Noncurrent | 3,063 | 3,063 | 3,149 | 4,995 |
| | 3,080 | 3,079 | 11,439 | 11,763 |

ICMS (state VAT) credits are due on purchases of raw materials, as well as purchases of property, plant and equipment, and are available to offset the tax to be collected as a result of the Company's sales. As part of the sales is made with a reduced tax base and ICMS exemption, the Company has accumulated credits. The realization of these credits depends on the success of the measures implemented by management, which include requests for ICMS exemption on purchases of inputs, and permit the approval of credits and their consequent use for transfer to suppliers. The Company's management, based on an internal study, recorded a provision in the approximate amount of R$6,162 as of March 31, 2016 (R$797 as of March 31, 2015) to cover losses on the realization of ICMS credits.

## 9. RELATED PARTIES

### 9.1. Balances and transactions with related parties are summarized as follows:

| | 3/31/2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Company | | | Consolidated | | | |
| Balances with related parties | Current assets | Noncurrent assets | Noncurrent liabilities | Current assets | Noncurrent assets | Current liabilities | Noncurrent liabilities |
| Controlling interests | | | | | | | |
| United Phosphorus Limited, India | | | | | | | |
| United Holdings Brazil B.V. - | | | | | | | |
| Loan agreement payable (a) | - | - | 499,384 | 2,058 | - | 11 | 449,384 |
| UPL Limited, Mauritius – suppliers | - | - | - | - | - | 342,409 | - |
| United Phosphorus Ltda. | - | - | - | - | - | - | - |
| United Phosphorus do Brasil Ltda. | - | - | - | - | - | - | - |
| Subtotal | - | - | 449,384 | 2,058 | - | 342,409 | 449,384 |
| Subsidiary: | | | | | | | |
| UPL do Brasil Indústria e Comércio de Insumos | | | | | | | |
| Agropecuários S.A. | 2,967 | - | - | - | - | - | - |
| | 2,967 | - | - | - | - | - | - |
| Payables to previous shareholder | | | | | | | |
| DVA Empreendimentos | - | - | - | - | - | - | 21,306 |
| DVA Agro GMBH | - | - | - | - | - | - | 53,264 |
| | - | - | - | - | - | - | 74,570 |
| Associates: | | | | | | | |
| Sinagro Produtos Agropecuários Produtos S.A (b) | - | - | - | 75,865 | - | - | - |
| Sinagro Produtos Agropecuários Produtos S.A | | | | | | | |
| (Mutuo) | 10,000 | 10,000 | - | - | 95,227 | - | - |
| 3SB Produtos Agrícolas S.A | - | - | - | 11,754 | - | - | - |
| RiceCo International Inc. | - | - | - | - | - | 4,317 | - |
| Cerexagri S.A.S. | - | - | - | - | - | 1,076 | - |
| Cerexagri B.V. | - | - | - | - | - | 65,429 | - |
| Decco Iberica Pos Cosecha, S.A.U. | - | - | - | - | - | 243 | - |
| Subtotal | 10,000 | 10,000 | - | 87,619 | 95,227 | 71,065 | - |
| Total | 10,000 | 10,000 | 449,384 | 89,677 | 95,227 | 413,485 | 523,954 |

| | 3/31/2015 | | | | |
|---|---|---|---|---|---|
| | Company | | Consolidated | | |
| Balances with related parties | Current liabilities | Noncurrent liabilities | Current assets | Current liabilities | Noncurrent liabilities |
| Controlling interests | | | | | |
| United Phosphorus Limited, India | - | - | 2,829 | - | - |
| United Holdings Brazil B.V. – Loan agreement payable (a) | - | 386,722 | - | - | 386,722 |
| UPL Limited, Mauritius – suppliers | - | - | - | 208,601 | - |
| United Phosphorus Indústria e Comércio de Produtos Químicos Ltda. | 382 | - | - | - | - |
| United Phosphorus do Brasil Ltda. | - | - | - | 3,337 | - |
| Subtotal | 382 | 386,722 | 2,829 | 211,938 | 386,722 |
| Payables to previous shareholder | - | - | - | | |
| DVA Empreendimentos | - | - | - | | 32,441 |
| DVA Agro GMBH | - | - | - | | 99,264 |
| Carlos Pellicer | - | - | - | 23,571 | 83,878 |
| Associates: | | | | | |
| RiceCo International Inc. | - | - | - | 989 | - |
| Cerexagri S.A.S. | - | - | - | 1,588 | - |
| Cerexagri B.V. | - | - | - | 8,246 | - |
| Sipcam UPL Brasil S.A. | - | - | - | 220 | - |
| Subtotal | - | - | - | 11,043 | - |
| Total | 382 | 386,722 | 2,829 | 246,552 | 602,300 |

| | 3/31/2016 | | | |
|---|---|---|---|---|
| | Company | Consolidated | | |
| Transactions | Finance charges | Finance charges | Sales | Purchases |
| Associated companies: | | | | |
| RiceCo International Inc. | - | - | - | 4,501 |
| Cerexagri S.A.S. | - | - | - | 4,276 |
| Cerexagri B.V. | - | - | - | 92,829 |
| Decco Iberica Pos Cosecha, S.A.U. | - | - | - | 629 |
| Decco US Post | - | - | - | 94 |
| Sinagro Produtos Agropecuários Produtos S.A. | - | - | 51,891 | - |
| 3SB Produtos Agrícolas S.A. | - | - | 13,180 | - |
| | - | - | 65,071 | 102,329 |
| Controlling shareholders: | | | | |
| United Holdings Brazil B.V. - Loan agreement payable (a) | 62,662 | 62,662 | - | - |
| United Phosphorus Limited, India | - | - | 1,805 | - |
| UPL Limited, Mauritius | - | - | - | 540,002 |
| United Phosphorus do Brasil Ltda. | - | - | - | - |
| | 62,662 | 62,662 | 1,805 | 540,002 |
| Total | 62,662 | 62,662 | 66,878 | 642,331 |

| | 3/31/2015 | | | |
|---|---|---|---|---|
| | Company | Consolidated | | |
| Transactions | Finance charges | Finance charges | Sales | Purchases |
| Associates: | | | | |
| RiceCo International Inc. | - | - | - | 721 |
| Cerexagri S.A.S. | - | - | - | 1,811 |
| Cerexagri B.V. | - | - | - | 6,880 |
| Decco Iberica Pos Cosecha, S.A.U | - | - | - | 334 |
| | - | - | - | 9,746 |
| Controlling interests | | | | |
| United Holdings Brazil B.V. | 126,178 | 126,178 | - | - |
| United Phosphorus Limited, India | - | - | 2,842 | - |
| UPL Limited, Mauritius | - | - | - | 189,494 |
| United Phosphorus do Brasil Ltda. | - | - | - | 2,570 |
| | 126,178 | 126,178 | 2,842 | 192,064 |
| Total | 126,178 | 126,178 | 2,842 | 201,810 |

Nature of transactions

a) Balance with United Holdings Brazil B.V. refers to a loan agreement denominated in U.S. dollars (US$100,000), which is charged by an interest rate of 5% per year plus Libor and due date from July 2016 to May 2017.

b) The average receipt term of revenues to Sinagro is 182 days. As of March 31, 2016 there is R$35,608 of overdue accounts receivable from Sinagro from 1 to 30 days (R$9,647 of overdue accounts receivable from 180 to 360 in 2015). The breakdown of the accounts receivable from Sinagro regarding sales transactions as of March 31, 2016 is as follows:

| | March 31, 2016 |
|---|---|
| Trade accounts receivable from Sinagro | 76,691 |
| Present value adjustment | (826) |
| Total | 75,865 |

Amounts due from related parties for trading transactions, recorded in current assets, refer to sales of goods to other group companies; amounts due to related parties, recorded in current liabilities, refer to payables for purchases of goods and services provided from other group companies, as shown in the table above.

In addition to the sales and purchases transactions listed in the table above, the Company recorded interest revenue arising from the loan to Sinagro in the amount of R$9,453 during the year ended March 31, 2016

The related-party transactions follow prices and payments terms determined by the Company´s Board. For trade payables amounts, the average payment term is 265 days (270 days in 2015).

Proposed dividends

During the year ended March 31, 2016, the subsidiary UPL do Brasil proposed mandatory minimum dividends in the amount of R$2,751 (R$216 as of March 31, 2015), recorded as "Related parties" in current assets.

9.2. Management compensation for the years ended March 31, 2016 and 2015 is as follows:

| Short-term benefits | 3/31/2016 | 3/31/2015 |
|---|---|---|
| Salaries, fees and charges | 5,650 | 4,694 |
| Healthcare plan | 353 | 272 |
| Total | 6,003 | 4,966 |

As of March 31, 2016, liabilities related to short-term benefits amounted to R$2,331 (R$1,135 as of March 31, 2015), recorded in caption payroll and related taxes.

The amount shown above is in accordance with the limits established by the Board of Directors.

The above management compensation amounts do not include payroll charges such as social security contributions - INSS, FGTS and others.

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## 10. INVESTMENTS

10.1. The main information on investments is as follows:

| | 3/31/2016 | | | 3/31/2015 | | |
|---|---|---|---|---|---|---|
| | Perrey Participações Direct investment | UPL Brasil Direct investment | DVA Tech Indirect investment | United Direct investment | UPL Brasil Indirect investment | DVA Tech Indirect investment |
| Share capital | 4,001 | 308,696 | 5 | 295,314 | 83,962 | 8 |
| Equity | 4,001 | 511,734 | 34 | 95,829 | 249,076 | 51 |
| Net income for the year | - | 57,916 | - | 20,387 | 41,845 | (3) |
| Total assets | 4,001 | 1,528,604 | 34 | 335,067 | 932,817 | 51 |
| Total liabilities | - | 1,016,870 | - | 239,247 | 683,741 | - |
| Net revenues | - | 1,456,697 | - | 769 | 755,760 | - |
| Number of shares | 4,001,000 | 324,600,648 | - | 295,314,012 | 99,867,194 | - |
| Number of shares held | 4,001,000 | 324,596,406 | - | 295,290,760 | 46,551,130 | - |
| Equity interest percentage | 100% | 99.99% | - | 99.99% | 46.61% | - |

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## 10.2. The change in investment during the period is as follows:

| | United | | | | | Allocation of goodwill on acquisition of UPL Brasil | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost | Goodwill on related-party transactions | Total | UPL Brasil Cost | Perrey Participações Cost | Goodwill | Property, plant and equipment | Intangible assets | Provision for tax risks | Provision for deferred income tax and social contribution | Total |
| Balance as of March 31, 2013 | 23,412 | - | 23,412 | - | - | 180,068 | - | - | - | - | 203,478 |
| Purchase price allocation | - | - | - | - | - | (80,677) | 3,223 | 126,860 | (7,845) | (41,561) | - |
| Depreciation, amortization and/or reversion of goodwill allocation | - | - | - | - | - | - | (218) | (41,028) | - | 14,023 | (27,223) |
| | 23,412 | - | 23,412 | - | - | 99,391 | 3,005 | 85,832 | (7,845) | (27,538) | 176,257 |
| Transactions during the year ended 2014 | | | | | | | | | | | |
| Acquisition of 46.61% investment at UPL do Brasil (a) | - | - | - | - | - | - | - | - | - | - | - |
| Acquisition of 46.61% investment through capital increase | - | - | - | 31,190 | - | - | - | - | - | - | 31,190 |
| Gain on the above share subscription of subsidiary | - | - | - | 15,045 | - | - | - | - | - | - | 15,045 |
| Gain on bargain purchase | | | | 4,505 | - | | | | | | 4,505 |
| Fair value net from Purchase price allocation of second acquisition cost | | | | | | | 2,764 | 58,090 | | (20,692) | 40,162 |
| *Dilution loss (gain) on related parties transaction* (b) | - | - | - | - | - | - | - | - | - | - | - |
| Dilution loss (gain) on related parties transaction | (39,935) | - | (39,935) | 39,935 | - | - | - | - | - | - | - |
| Dilution gain on subsidiary capital increase | 8,522 | - | 8,522 | - | - | - | - | - | - | - | 8,522 |
| Capital increase in subsidiary | 37,000 | - | 37,000 | - | - | - | - | - | - | - | 37,000 |
| Depreciation, amortization and/or reversion of goodwill allocation | - | - | - | - | - | - | (129) | (25,372) | 7,845 | 6,003 | (11,653) |
| Equity pick up for the year | 26,083 | - | 26,083 | 5,916 | - | - | - | - | - | - | 31,999 |
| Balance as of March 31, 2014 | 55,082 | - | 55,082 | 96,590 | - | 99,391 | 5,640 | 118,550 | - | (42,227) | 333,027 |
| Transactions during the year ended 2015 | | | | | | | | | | | |
| Acquisition of noncontrolling interests | | | | | | | | | | | |
| Capital increase in subsidiary | 25,590 | - | 25,590 | - | - | - | - | - | - | - | 25,590 |
| Goodwill on acquisition of noncontrolling interests | - | (204,939) | (204,939) | - | - | - | - | - | - | - | (204,939) |
| Depreciation, amortization and/or reversal of goodwill allocation | | | | | - | - | (253) | (49,749) | - | 17,001 | (33,001) |
| Equity pick up for the year | 20,385 | - | 20,385 | 19,504 | - | - | | | | | 39,889 |
| Proposed dividends | - | - | - | (216) | - | - | - | - | - | - | (216) |
| Balance as of March 31, 2015 | 101,057 | (204,939) | (103,882) | 115,878 | - | 99,391 | 5,387 | 68,801 | - | (25,226) | 160,350 |
| Transactions during the year ended 2016 | | | | | | | | | | | |
| Capital increase in subsidiary | 210,367 | - | 210,367 | 187,009 | - | - | - | - | - | - | 397,376 |
| Acquisition of interests (Perrey Participações S.A) | - | - | - | - | 4,001 | - | - | - | - | - | 4,001 |
| Goodwill on acquisition of invested capital transaction | (8,601) | - | (8,601) | - | - | - | - | - | - | - | (8,601) |
| Merger of United | (314,902) | 204,939 | (109,963) | 109,963 | - | - | - | - | - | - | - |
| Tax benefit arising from the merger of United | - | - | - | 57,134 | | (57,134) | | | | | - |
| Depreciation, amortization and/or reversal of goodwill allocation | - | - | - | - | - | - | (253) | (49,749) | - | 17,001 | (33,001) |
| Equity pick up for the year | 12,079 | - | 12,079 | 44,556 | - | - | - | - | - | - | 56,635 |
| Proposed dividends | - | - | - | (2,751) | - | - | - | - | - | - | (2,751) |
| Balance as of March 31, 2016 | - | - | - | 511,790 | 4,001 | 42,257 | 5,134 | 19,052 | - | (8,223) | 574,011 |

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Transactions during the year ended 2016

During the year ended March 31, 2016 the Company increased the capital of United and UPL do Brasil by R$210,367 and R$397,376, respectively in cash.

On March 22, 2016, the Company created a subsidiary called by Perry Participações S.A., in amount of R$4,000 in cash and after applied as usufruct land in this Subsidiary.

As described in Note 1, all amount of Shareholders equity from United was merger in UPL do Brasil ended on January 31, 2016.

Transactions during the year ended 2015

On March 18, 2015, United acquired the remaining shares from UPL do Brasil noncontrolling interests, represented by 26,964,143 shares, increasing its interest from 26.39% as of March 31, 2015 to 53.39% as of March 31, 2015.

This transaction generated a loss on related-party transaction of R$204,939, arising from the difference between the acquisition cost of the noncontrolling interests of R$58,463 and the total amount that will be paid to the former noncontrolling shareholders of R$262,849. The goodwill generated was recorded directly in the Company's equity, in line item "Goodwill on acquisition of noncontrolling interests", in accordance with accounting practices adopted in Brazil, arising from related-party transactions.

10.3. The changes in noncontrolling interests during the year ended March 31, 2015 are as follows:

Noncontrolling interests

| | |
|---|---|
| Equity interest percentage as of March 31, 2015 | 0% |
| Equity interest percentage as of March 31, 2014 | 27% |

The change in investment during the period is as follows

| | |
|---|---|
| Balance as of March 31, 2013 | 81,975 |
| Capital increase in subsidiary (b) | 1,102 |
| Dilution loss on related parties transaction (a) | (35,799) |
| Dilution gain on subsidiary capital increase (b) | 7,617 |
| Fair value net from Purchase price allocation of second acquisition cost | 77,513 |
| Net income for the year attributable to non-controlling interest | 1,057 |
| Balance as of March 31, 2014 | 133,465 |
| Net income for the year attributable to noncontroling interests | 2,522 |
| Acquisition of noncontroling interests, equivalent to 27% of the shares | (135,987) |
| Balance as of March 31, 2015 | - |

a) The Company acquired shares of UPL Brasil increasing its share capital. As a result, the investment in UPL Brasil noncontrolling interests was diluted from 49% to 27% as of March 31, 2014. This transaction generated a dilution loss of R$35,799 for noncontrolling shareholders.

b) In addition, the non-controlling shareholders acquired 1,645,630 shares of UPL Brasil, increasing its interest in share capital by R$1,102. As a result, this transaction generated a gain on share subscription of R$7,617 for non-controlling shareholders as of March 31, 2014.

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## 11. PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment during the years were as follows:

| | Consolidated | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cost | Land | Buildings | Machinery and equipment | Vehicles | Furniture and fixtures | Computers and peripherals | Leasehold improvements | Communication equipment | Facilities | Property, plant and equipment in progress | Advances to suppliers | Total |
| Balance at March 31, 2014 | 5,727 | 30,212 | 7,548 | 6,802 | 1,496 | 1,383 | 373 | 176 | 1,387 | 115 | - | 55,219 |
| Acquisitions | - | 1,183 | 3,616 | 4,013 | 148 | 842 | 51 | 29 | 444 | 1,651 | - | 11,977 |
| Disposals | - | - | - | (1,661) | - | (3) | - | - | - | - | - | (1,664) |
| Transfers | - | - | (22) | - | 16 | 15 | - | (15) | 40 | (34) | - | - |
| Balance at March 31, 2015 | 5,727 | 31,395 | 11,142 | 9,154 | 1,660 | 2,237 | 424 | 190 | 1,871 | 1,732 | - | 65,532 |
| Acquisitions | 4,000 | 757 | 1,943 | 5,047 | 254 | 1,611 | 30 | 20 | 865 | 5,215 | - | 19,742 |
| Disposals | - | - | (36) | (689) | (5) | (52) | - | (1) | - | (28) | - | (811) |
| Transfers | - | 1,258 | - | - | - | - | 131 | - | - | (1,389) | - | - |
| Balance at March 31, 2016 | 9,727 | 33,410 | 13,049 | 13,512 | 1,909 | 3,796 | 585 | 209 | 2,736 | 5,530 | - | 84,463 |
| Depreciation | | | | | | | | | | | | |
| Balance at March 31, 2014 | - | (4,774) | (2,385) | (1,707) | (573) | (1,042) | (120) | (106) | (610) | - | - | (11,319) |
| Depreciation for the year | - | (2,073) | (744) | (1,673) | (192) | (209) | (82) | (15) | (97) | - | - | (5,085) |
| Disposals | - | - | 26 | 1,067 | - | 1 | - | 11 | 1 | - | - | 1,106 |
| Balance at March 31, 2015 | - | (6,847) | (3,103) | (2,313) | (765) | (1,250) | (202) | (110) | (706) | - | - | (15,296) |
| Depreciation for the year | - | (1,081) | (948) | (2,600) | (171) | (365) | (85) | (15) | (135) | - | - | (5,400) |
| Disposals | - | - | 12 | 510 | - | - | - | - | - | - | - | 522 |
| Balance at March 31, 2016 | - | (7,928) | (4,039) | (4,403) | (936) | (1,615) | (287) | (125) | (841) | - | - | (20,174) |
| Property, plant and equipment, net at March 31, 2016 | 9,727 | 25,482 | 9,010 | 9,109 | 973 | 2,181 | 298 | 84 | 1,895 | 5,530 | - | 64,289 |
| Property, plant and equipment, net at March 31, 2015 | | 25,481 | 8,039 | 6,841 | 895 | 987 | 222 | 80 | 1,165 | 1,732 | - | 50,236 |
| Average depreciation rate - % | | 3% | 9% | 22% | 10% | 21% | 10% | 10% | 10% | | | |

### Impairment of property, plant and equipment

In view of the approval of CPC 01, which addresses the impairment of assets, as at March 31, 2016 and 2015 the Company analysed the recoverability of property, plant and equipment items. The recoverable amount was determined based on the value in use. The Company used projections based on expected future profitability associated to their activities, under the discounted cash flow method, based on the year 2016. No indication of the need to recognize a provision for impairment of property, plant and equipment was identified.

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Collaterals

As of March 31, 2016, the Company held the amount of R$6,314 related to machinery, equipment and vehicles collateralized under financing and finance leases (R$6,946 as of March 31, 2015.

12. INTANGIBLE ASSETS

| | | Consolidated | | | | |
|---|---|---|---|---|---|---|
| | Annual | 3/31/2016 | | | | 3/31/2015 |
| | amortization rate - % | Cost | Accumulated amortization | Impairment/ Transfer | Net | Net |
| Goodwill (a) | | 99,391 | - | (57,134) | 42,257 | 99,391 |
| Trademarks, patents and licenses in use (b) | 20% | 313,972 | (262,520) | - | 51,452 | 95,847 |
| Trademarks, patents and licenses under approval (c) | | 53,731 | - | (1,091) | 52,640 | 47,391 |
| Software licenses | 20% | 1,757 | (1,213) | - | 544 | 458 |
| Total | | 468,851 | (263,733) | (58,225) | 146,893 | 243,087 |

The changes in intangible assets may be summarized as follows:

| | Consolidated | |
|---|---|---|
| | 3/31/2016 | 3/31/2015 |
| Opening balance, net | 243,087 | 287,431 |
| Additions (c) | 18,645 | 14,886 |
| Disposals | (482) | - |
| Tranfer to deferred tax benefit | (57,134) | - |
| Reversal of impairment loss | 2,269 | - |
| Amortization | (59,492) | (59,230) |
| Closing balance, net | 146,893 | 243,087 |

As of March 31, 2016, the Company analysed the recoverability of intangible assets, including goodwill. The Company used projections based on expected future profitability associated to their activities, under the discounted cash flow method, based on the year 2016. The projected period assumed is ten years and considers as residual value perpetuity calculated based on the cash flow for the last year of the projected period. No indication of the need to recognize a provision for impairment of intangible assets was identified.

(a) Refers to goodwill generated on the acquisition of 51% of UPL Brasil shares on July 25, 2011 by subsidiary United Phosphorus Indústria e Comércio de Produtos Químicos Ltda., adjusted by the balance of PPA - purchase price allocation of the assets, as mentioned in note 1.

(b) The Company recognized an impairment loss of licenses under approval of R$1,091 as of March 31, 2016 (R$3,360 as of March 31, 2015) as the fair value provided by an appraisal report prepared by independent appraiser was below the net book value.

(c) Refers to the addition of licenses under approval acquired to increase the UPL do Brazil’s portfolio of products.

## 13. BORROWINGS AND FINANCING

| Nature | Annual finance charges | Final maturity | March 31, 2016 | March 31, 2015 |
|---|---|---|---|---|
| Foreign currency - denominated in US dollars: | | | | |
| Import financing | Interest of 3.25% to 3.44% p.y. | 06/16/2016 | 48,365 | 131,971 |
| | | | 48,365 | 131,971 |
| Local currency: | | | | |
| Discounted trade receivables | 15.60% to 17.88 % p.y. | 05/24/2016 | 39,370 | 38,916 |
| Working capital | CDI + 3.04% p.y. | 09/06/2016 | 673 | 2,608 |
| FINAME | 6.00% to 17.60% p.y. | 08/15/2019 | 1,607 | 1,962 |
| Finance lease | 13.08% to 16.58% p.y. | 08/17/2018 | 5,664 | 4,984 |
| Import financing + Swap | CDI + 1.33% to CDI + 2.20 p.y. | 11/18/2016 | 94,935 | - |
| Farmers bond (“Rural credit”) | 8.75% p.y | 08/04/2016 | 4,429 | 4,303 |
| | | | 146,678 | 52,773 |
| Total | | | 195,043 | 184,744 |
| Portion of current liabilities | | | 191,882 | 180,504 |
| Portion of non-current liabilities | | | 3,161 | 4,240 |
| | | | 195,043 | 184,744 |

CDI - “Bank Deposit Certificates”

### Collateral and guarantees

As of March 31, 2016, some borrowings and financing are collateralized by receivables, in the proportion from 50% to 100% (100% in 2015) of the financing balance, liens on the financed equipment and promissory notes signed by the Company’s shareholders.

As mentioned in Note 6, the Company has accounts receivable pledged as collateral for working capital financing, agribusiness credit right certificates and import financing.

### Finance lease commitments

The future minimum lease payment in respect to assets under finance lease is as follow:

| Finance lease | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Payable no later than 1 year | 3,242 | 2,180 |
| Payable later than 1 year | 2,422 | 2,804 |
| Total minimum lease payments | 5,664 | 4,984 |
| (-) Future finance charges | (946) | (905) |
| Present value of minimum lease payments | 4,718 | 4,078 |

### Contractual obligation

Certain loan agreements are subject to clauses that require the Company to comply with some contractual obligations. As at March 31, 2016, the Company is compliant with all contractual obligations.

As at March 31, 2016, the portions classified in noncurrent liabilities have the following maturity schedule:

| | |
|---|---|
| Maturity year: | |
| 2017 | 1,933 |
| 2018 | 1,003 |
| 2019 | 225 |
| Total | 3,161 |

## 14. TRADE PAYABLES

| | 3/31/2016 Consolidated | 3/31/2015 Consolidated |
|---|---|---|
| Domestic suppliers | 15,168 | 4,928 |
| Foreign suppliers | 90,858 | 207,016 |
| Present value adjustment | (23,384) | (13,050) |
| Total | 82,642 | 198,894 |

Present value adjustment

The present value adjustment of purchases is recognized under line item "Trade payables" (with a contra entry to line item "Cost of sales") and its reversal is recorded under line item "Finance income and expenses", according to maturity. Its calculation takes into account the term of realization of the asset by using a discount rate of approximately 1% per month, which is based on the effective discount rate used by the Company.

## 15. FORFAITING AND CREDIT LETTERS

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Forfaiting transactions | 138,841 | 4,540 |
| Credit letters transactions | 14,124 | 14,762 |
| Present value adjustment | (4,898) | (1,052) |
| Total | 148,067 | 18,250 |

The average term for settlement of this forfaiting and credit letter transactions are 347 and 368 days, respectively.

## 16. PROVISION FOR LABOR AND TAX RISKS

Probable risks

As of March 31, 2016 and 2015 the Company recognized a reserve for labor claims in the amount of R$1,565 related to social security lawsuits in which they are the defendants and for which the likelihood of loss is considered probable by its legal counsel.

Possible risks

The Company is part to various lawsuits that are at administrative or judicial level or in their initial stages, involving labor, tax and civil matters. The Company contest in court all claims and, based on the assessment of their legal counsel, record a provision when the risk of loss is considered probable. The reserve recorded as of March 31, 2016 and 2015 refer to labor lawsuits in which the Company are the defendants, involving mainly secondary liability of outsourced companies.

The Company is part to tax and civil lawsuits involving approximately R$18,097 as of March 31, 2016 for which the assessment made by its legal counsel classifies the likelihood of loss as possible, reason why no provision was recorded by Management in the financial statements.

Pursuant to prevailing legislation, the Company' operations are open for review by tax authorities for a period of 5 years with respect to federal taxes (income tax, social contribution, PIS, COFINS and IPI) and state tax (ICMS). As a result of these reviews, transactions and payments may be challenged and the identified amounts may be subject to fines, interest and inflation adjustment.

The Company´s management, based on the opinion of its legal counsel, understands there are no significant risks not covered by sufficient provisions in the financial statements or that might have a significant impact on the Company's future results.

17. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of the tax effect on loss before income tax and social contribution as of March 31, 2016 and 2015 is as follows:

| | 3/31/2016 | | 3/31/2015 | |
|---|---|---|---|---|
| | Company | Consolidated | Company | Consolidated |
| Income (loss) before income tax and social contribution | (40,779) | (119,830) | (28,587) | (104,653) |
| Nominal rate - income tax and social contribution | 34% | 34% | 34% | 34% |
| | 13,865 | 40,742 | 9,720 | 35,582 |
| Reconciliation to effective rate: | | | | |
| Equity pick up | 8,037 | - | 2,342 | - |
| Thin capitalization | - | - | (2,423) | (2,423) |
| Other permanent differences | - | (11) | 1,910 | (3,086) |
| Allowance for non-recoverable deferred income tax | (21,902) | (28,539) | (13,459) | (19,328) |
| Income tax and social contribution - current and deferred | - | 12,192 | 1,910 | (10,745) |

Breakdown of deferred income tax

As at March 31, 2016 and 2015, the Company recognized deferred income tax and social contribution on tax loss carryforwards, temporary differences and adjustments arising from the adoption of new accounting policies, as follows:

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| Temporary differences on tax credits: | | |
| Tax benefit from the merger of United | 165,237 | - |
| Reserve for labor claims | 1,565 | 1,565 |
| Allowance for doubtful accounts receivable | 67,922 | 58,860 |
| Adjustment to present value on trade accounts receivable | 38,806 | 30,841 |
| Provision for service providers | 39,797 | 11,035 |
| Provision for net realizable value of inventories | 4,716 | 3,269 |
| Impairment of intangible assets | 1,091 | 3,360 |
| Derivative financial instruments at the fair value | 26,152 | - |
| Impairment of recoverable taxes | 6,162 | 797 |
| Exchange variation not incurred in cash basis | - | 44,871 |
| Others temporary differences | 5,490 | 5,551 |
| Tax base | 356,938 | 160,149 |
| Statutory rate | 34% | 34% |
| Deferred income tax and social contribution - tax credit | 121,359 | 54,451 |
| | | |
| Temporary differences on tax debits: | | |
| Derivative financial instruments at the fair value | - | 36,348 |
| Purchase price allocation income tax basis | 24,185 | 74,185 |
| Adjustment to present value on trade payables | 28,282 | 14,102 |
| Exchange rate variation on accounts receivable, loans and suppliers | 14,712 | - |
| Others temporary differences | 275 | 276 |
| Tax base | 67,454 | 124,911 |
| Statutory rate | 34% | 34% |
| Deferred income tax and social contribution - tax debit | 22,934 | 42,470 |
| | | |
| Deferred income tax and social contribution – net balance | 98,425 | 11,981 |
| | | |
| Deferred income tax and social contribution - assets | 106,648 | 37,204 |
| Deferred income tax and social contribution - liabilities | (8,223) | (25,223) |
| | 98,425 | 11,981 |
| Deferred income tax recorded directly in equity as a result of the merger of United (a) | (57,133) | - |
| | 41,292 | 11,981 |
| Effect on the statement of operations for the year | 29,312 | |

(a) Refers to deferred income tax generated from the merger of United at UPL Brasil.

The Company (Consolidated), based on projections of future taxable profits approved by Management, recognized deferred income tax and social contribution on temporarily taxable and non-deductible differences of UPL Brasil, which can be carried forward indefinitely.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Based on these projections of future taxable profits, the Company estimates to realize the deferred income tax and social contribution during 2017.

Company

As of March 31, 2016, accumulated tax loss carryforwards amounts to R$138,832, R$112,102 in 2015 and R$64,342 as of April 1, 2014. Pursuant to the prevailing legislation, tax loss carryforwards may be offset up to the limit of 30% of taxable income for each year, which can be carried forward indefinitely.

The Company´s management determined that, by March 31, 2016, there was uncertainty surrounding the existence of future taxable income deemed sufficient to realize such tax credits and did not recognize credits of deferred income tax and social contribution assets in the approximate amount of R$47,203 as of March 31, 2016 (R$38,115 in 2015).

## 18. QUOTAHOLDERS' EQUITY

Capital

The Company's share capital of R$563,040 as of March 31, 2016 (R$149,743 as of March 31, 2015) is represented by 563,040,032 and 149,742,664, respectively, quotas subscribed in cash by its only controlling shareholder United Phosphorus Holdings Brazil B.V.

Transactions during the year ended March 31, 2016

During the year ended December 31, 2016 the subsidiary United paid a portion of the payables to previous shareholders with a goodwill of R$8,601 recorded directly at quotaholders' equity as a result of related parties investment transactions.

During the year ended March 31, 2016 the Company received several capital increases in cash that amounted to R$413,297 as summarized as follows:

| Date | Shareholder | Amount R$ | Shares issued |
|---|---|---|---|
| August 10, 2015 | United Phosphorus Holdings Brazil B.V. | 20,248 | 20,248,900 |
| August 10, 2015 | United Phosphorus Holdings Brazil B.V. | 61,254 | 61,253,750 |
| December 2, 2015 | United Phosphorus Holdings Brazil B.V. | 33,540 | 33,540,000 |
| January 31, 2016 | United Phosphorus Holdings Brazil B.V. | 213,295 | 213,294,718 |
| February 29, 2016 | United Phosphorus Holdings Brazil B.V. | 84,960 | 84,960,000 |
| | | 413,297 | 413,297,368 |

## 19. FINANCIAL INSTRUMENTS AND OPERATING RISKS

Financial assets and liabilities are stated in the financial statements at cost, plus income earned and less expenses incurred through the end of the reporting period, which approximate the fair values for transactions with similar nature and risks.

The main market risk factors that affect the Company's and its subsidiaries' businesses are as follows:

- Credit risk: arises from the possibility of the Company not receiving amounts arising from sales. To mitigate this risk, the Company perform a detailed analysis of the financial position of its customers, establishing an ongoing monitoring of the debt balance of their counterparties.

- Price risk of products sold or manufactured or inputs acquired: arises from the possibility of fluctuations in the market prices of products sold or manufactured by the Company and other inputs used in the production process. These price fluctuations may cause substantial changes in the Company and subsidiaries' revenues and costs. In order to mitigate these risks, the Company perform an ongoing monitoring of local and foreign markets, seeking to anticipate any price changes.

- Interest rate risk: this risk arises from the possibility of the Company incurring losses because of fluctuations in interest rates that increase the financial expenses related to borrowings and financing. Borrowings are controlled in terms of exposure and contracted rates, considering their nature, to avoid exposing the Company to excessive risks.

- Exchange rate risk: this risk arises from the possibility of the Company incurring losses or cash constraints due to fluctuations in exchange rates, affecting the balance of foreign currency-denominated assets (or liabilities).

Derivative financial instruments

As mentioned above, during the year ended March 31, 2016 the Company contracted derivatives to reduce its liabilities exposure to exchange variation, mainly U.S. Dollars. As a result of the hedges acquired to reduce such exposures, during the year ended March 31, 2016 the Company recorded the amount of R$36,661 of loss in hedging transactions which is recorded in financial income and expenses captions in the statement of income. Since the related instrument is combined for receivables, payables and borrowing and financing, the Company's management has allocated the aforesaid gain in hedging transaction in the proportion of their respective average balances during the year ended March 31, 2016 as follows:

| Balances denominated in foreign currency - U.S Dollars | Average balance during the year ended March 31, 2016 R$ | Balance as of March 31, 2016 R$ |
|---|---|---|
| Operating activities | | |
| Trade account receivables | (259,957) | (295,755) |
| Trade payables | 140,112 | 98,648 |
| Forfaiting and credit letter transactions | 161,398 | 148,067 |
| Related parties (liabilities) | 311,703 | 412,452 |
| Operating exposure - liabilities | 353,256 | 363,412 |
| Hedge gain (loss) on operating activities | - | (34,061) |
| Financing activities | | |
| Borrowing and financing | 96,296 | 48,667 |
| Financing exposure - liabilities | 96,296 | 48,667 |
| Hedge gain (loss) - Financing activities | | (2,600) |
| Net exposure - liabilities | 449,552 | (412,079) |
| Total Hedge gain (loss) | | (36,661) |

The average balances and balances as of March 31, 2016 for each caption refer to the Brazilian Real amounts of assets and liabilities denominated in U.S. Dollars currency.

As of March 31, 2016, the position of derivative financial instruments and the adjustment at the fair value recorded in the balance sheet is as follow:

| Transaction | Maturity | Position | Fixed rate (US$) | Notional amount | Fair value | Adjustment |
|---|---|---|---|---|---|---|
| March 31, 2016 | | | | | | |
| NDF - U.S. Dollar | 5/13/2016 | Long | 4.0301 | 26,439 | 23,850 | (2,580) |
| NDF - U.S. Dollar | 4/29/2016 | Long | 3.6956 | 1,740 | 1,703 | (37) |
| NDF - U.S. Dollar | 5/25/2016 | Long | 3.7135 | 53,570 | 52,571 | (999) |
| NDF - U.S. Dollar | 5/20/2016 | Long | 3.7761 | 20,186 | 19,287 | (899) |
| NDF - U.S. Dollar | 5/25/2016 | Long | 3.6918 | 21,793 | 21,670 | (123) |
| NDF - U.S. Dollar | 6/15/2016 | Long | 3.7286 | 37,286 | 37,215 | (71) |
| NDF - U.S. Dollar | 5/20/2016 | Long | 3.7190 | 521 | 511 | (10) |
| NDF - U.S. Dollar | 4/27/2016 | Long | 4.0640 | 73,737 | 65,666 | (8,071) |
| NDF - U.S. Dollar | 5/13/2016 | Long | 4.0848 | 74,114 | 66,023 | (8,091) |
| NDF - U.S. Dollar | 6/15/2016 | Long | 3.7291 | 59,800 | 58,769 | (1,031) |
| NDF - U.S. Dollar | 4/27/2016 | Long | 4.0099 | 26,297 | 23,730 | (2,567) |
| NDF - U.S. Dollar | 5/20/2016 | Long | 3.7370 | 64,601 | 62,927 | (1,674) |
| Total | | | | 460,075 | 433,922 | (26,152) |

As of March 31, 2015, the position of derivative financial instruments and the adjustment at the fair value recorded in the balance sheet is as follow:

| Transaction | Maturity | Position | Fixed rate (US$) | Notional amount | Fair value | Adjustment |
|---|---|---|---|---|---|---|
| March 31, 2016 | | | | | | |
| NDF - U.S. Dollar | 6/25/2015 | Long | 2.4370 | 22,244 | 29,371 | 7,488 |
| NDF - U.S. Dollar | 4/02/2015 | Long | 2.8939 | 21,434 | 23,738 | 2,305 |
| NDF - U.S. Dollar | 4/02/2015 | Long | 2.8894 | 21,670 | 24,018 | 2,348 |
| NDF - U.S. Dollar | 4/02/2015 | Long | 2.8938 | 27,491 | 30,478 | 2,987 |
| NDF - U.S. Dollar | 4/02/2015 | Long | 3.1557 | 3,162 | 3,215 | 53 |
| NDF - U.S. Dollar | 4/02/2015 | Long | 2.8940 | 27,493 | 30,059 | 2,566 |
| NDF - U.S. Dollar | 5/05/2015 | Long | 2.7602 | 110,408 | 129,010 | 18,601 |
| Total | | | | 233,902 | 269,889 | 36,348 |

Sensitivity analysis of the financial instruments

a. Interest rate risk:

The analysis is made considering the changes in the related interest rates: what would be the impact of the changes in interest rates on profit or loss under different scenarios. The table below summarizes all the Company’s positions impacted by the changes in interest rates.

| Description | Notional amount | Impact in a scenario of | | Impact in a scenario of | | Impact in a scenario of | |
|---|---|---|---|---|---|---|---|
| | R$ | 10% | -10% | 25% | -25% | 50% | -50% |
| March 31, 2016 | | | | | | | |
| Borrowings with floating interest rate, without hedge | 86,622 | (8,662) | 8,662 | (21,655) | 21,655 | (43,311) | 43,311 |
| Investments with floating interest rate, without hedge | 112,282 | 11,228 | (11,228) | 28,070 | (28,070) | 56,141 | (56,141) |
| Impact on operating profit or loss | | 2,566 | (2,566) | 6,415 | (6,415) | 12,830 | (12,830) |

In the scenario above, the interest rate was combined in two manners under three scenarios: probable, possible and remote. For these scenarios, the changes shown above were presumed (e.g.: +/- 10% of the interest rate in the probable scenario), based on observations of the current market conditions. All other variables of the amounts above were kept constant.

Below are the main assumptions for the analysis:

- Borrowings with floating interest rate, without hedge.
- Investments with floating interest rate, without hedge.

The interest rates were compared with the LIBOR, CDI and TJLP.

b. Exchange rate risk:

The analysis is made considering the changes in the related exchange rates: what would be the impact of the changes in exchange rates on profit or loss or on equity under different scenarios.

| Description | Notional amount | Impact in a scenario of | | Impact in a scenario of | | Impact in a scenario of | |
|---|---|---|---|---|---|---|---|
| | R$ | 10% | -10% | 20% | -20% | 30% | -30% |
| March 31, 2016 | | | | | | | |
| Reference exchange rate - US$ | 3.5589 | 3.9148 | 3.2030 | 4.2707 | 2.8471 | 4.6266 | 2.4912 |
| Borrowing and financing in foreign currency | 47,352 | (4,735) | 4,735 | (9,470) | 9,470 | (14,206) | 14,206 |
| Financial liabilities in foreign currency | 657,801 | (65,780) | 65,780 | (131,560) | 131,560 | (197,340) | 197,340 |
| Financial assets in foreign currency | 612,099 | 61,210 | (61,210) | 122,420 | (122,420) | 186,630 | (186,630) |
| Impact on operating profit or loss | | (9,305) | 9,305 | (18,611) | 18,611 | (27,916) | 27,,916 |

The table above shows the sensitivity of the Company's operating profit or loss and equity to possible changes in the currency parity.

The currency parity included in the analysis is the U.S. Dollar against Reais.

Each parity was combined in two manners, under three scenarios: probable, possible and remote. For these scenarios, the changes shown above were presumed (e.g.: +/- 10% in the probable scenario), based on observations of the current market conditions. All other variables were kept constant.

Below are the main assumptions for the analysis:

- Net value of financial assets and liabilities in foreign currency.
- Receivables and payables in foreign currency.
- The fair value of derivative instruments of commodities denominated in foreign currency.
- The fair value of derivative instruments of exchange rate.

The impacts of these possible changes are stated in the operating profit or loss for each item.

c. Financial instruments by category

The main financial assets and financial liabilities are show below:

| | Book and fair value | |
|---|---|---|
| Financial assets | March 31, 2016 | March 31, 2015 |
| Loans and receivables: | | |
| Cash and cash equivalents | 113,352 | 37,120 |
| Trade accounts receivable - current | 814,606 | 617,354 |
| Trade accounts receivable - non-current | 271 | 3,030 |
| Related parties receivable - current | 89,677 | 2,829 |
| Related parties receivable - non-current | 95,227 | - |
| Derivative financial instruments: | | |
| Derivative financial instruments - current | - | 36,348 |

| | Book and fair value | |
|---|---|---|
| Financial liabilities | March 31, 2016 | March 31, 2015 |
| Financial liabilities to amortized cost: | | |
| Borrowings and financing - current | 191,882 | 180,504 |
| Trade payables - current | 82,642 | 198,894 |
| Forfaiting and credit letter transactions | 148,067 | 18,250 |
| Related parties payables - current | 413,485 | 246,981 |
| Borrowings and financing - non-current | 3,161 | 4,240 |
| Related parties payables - non-current | 523,954 | 602,300 |
| Derivative financial instruments: | | |
| Derivative financial instruments - current | 26,152 | - |

The measurement method used for calculating the fair value of financial assets and liabilities was the discounted cash flow with the ANBID benchmark index, considering the expected settlement or realization of assets and liabilities and the market rates prevailing at the information cut-off dates.

d. Liquidity risk management

The Company's Management has ultimate responsibility for the management of the liquidity risk and has prepared an appropriate liquidity risk management model to manage funding requirements and short, medium - and long-term liquidity management. The Company manages the liquidity risk through the continuous monitoring of estimated and actual cash flows, the combination of the maturity profiles of financial assets and liabilities and the maintenance of a close relationship with financial institutions, with regular disclosure of information to support credit decisions when external funds are necessary.

The table below details the remaining contractual maturity of the Company's financial liabilities and the contractual amortization as of March 31, 2016:

| | 3 months to 1 year | From 1 to 2 years | From 2 to 3 years | From 3 to 5 years | Total undiscounted cash flows | Carrying amount at March 31, 2016 |
|---|---|---|---|---|---|---|
| Borrowing and financing | 196,082 | 2,586 | 805 | 141 | 199,614 | 195,043 |
| Trade payables | 105,947 | 79 | - | - | 106,026 | 82,642 |
| Forfaiting and credit letters | 105,947 | - | - | - | 105,947 | 148,067 |
| Related parties payables | 431,946 | 523,954 | - | - | 955,900 | 937,439 |
| Other payables | 34,016 | - | - | - | 34,016 | 34,016 |

## 20. NET REVENUES

| | Consolidated 3/31/2016 | Consolidated 3/31/2015 |
|---|---|---|
| Sales revenue | 1,651,775 | 878,384 |
| Returns and rebates | (47,659) | (37,940) |
| Present value adjustment | (37,241) | (21,558) |
| Taxes on sales | (110,178) | (63,126) |
| Total | 1,456,697 | 755,760 |

## 21. OPERATING COSTS AND EXPENSES BY NATURE

| | 3/31/2016 | | 3/31/2015 | |
|---|---|---|---|---|
| | Company | Consolidated | Company | Consolidated |
| Operating costs and expenses: | | | | |
| Raw materials and consumables used | - | 1,126,707 | - | 557,071 |
| Salaries, charges and benefits | - | 122,911 | - | 60,164 |
| Freight | - | 6,217 | - | 3,388 |
| Services from third parties | 190 | 29,257 | 439 | 16,552 |
| Materials for use and consumption | - | 5,697 | - | 4,348 |
| Depreciation and amortization | - | 64,893 | - | 64,315 |
| Travel and lodging | - | 10,851 | - | 7,341 |
| Warehouse | - | 6,138 | - | 4,213 |
| Rental | - | 2,598 | - | 2,110 |
| Cost of discarded packaging | - | 2,061 | - | 1,635 |
| Inventory adjustment | - | 1,447 | - | (397) |
| Withholding of taxes and other fees | - | 2,958 | - | 589 |
| Allowance for doubtful accounts | - | 9,062 | - | 13,853 |
| Present value adjustment of trade payables | - | (96,182) | - | (41,077) |
| Write-off of advances to suppliers | - | - | - | 649 |
| PPA Allocation | - | 38,444 | - | - |
| Other costs and expenses | - | (19,597) | - | 10,996 |
| Total operating costs and expenses | 190 | 1,313,462 | 439 | 705,750 |
| Exchange variation on trade receivables and payables: | | | | |
| Exchange rate variation on trade receivables | - | 7,318 | - | (18,989) |
| Exchange rate variation on trade payables | - | 9,076 | - | 70,787 |
| Total exchange variation on trade receivables and payables | - | 16,394 | - | 51,798 |
| Total operating costs and expenses, including exchange variation | 190 | 1,329,856 | 439 | 757,548 |
| Classified as: | | | | |
| Cost of sales | - | 1,089,772 | - | 570,538 |
| Selling expenses | - | 100,848 | - | 44,787 |
| General and administrative expenses | 190 | 122,842 | 439 | 90,425 |
| Exchange rate variation on trade receivables and payables | - | 16,394 | - | 51,798 |
| | 190 | 1,329,856 | 439 | 757,548 |

## 22. FINANCE INCOME AND EXPENSES

| | 3/31/2016 | | 3/31/2015 | |
|---|---|---|---|---|
| | Company | Consolidated | Company | Consolidated |
| Finance income: | | | | |
| Discounts obtained | - | 563 | - | 290 |
| Yield from investments | - | 5,495 | - | 3,212 |
| Present value adjustment of trade accounts receivable | - | 102,213 | - | 49,874 |
| Gain on derivative financial instruments, realized contracts | - | 25,839 | - | 42,537 |
| Gain on derivative financial instruments, non-realized contracts | - | (62,500) | - | 36,348 |
| Exchange variation on liabilities | - | 9,453 | - | 558 |
| Other finance income | - | 2,115 | - | 3,779 |
| | - | 83,178 | - | 136,598 |
| Finance expenses: | | | | |
| Cash discount | - | (77) | - | (159) |
| Discounts granted and other exchange variation effect | - | (35,172) | - | (11,562) |
| Interest on borrowings and financing | (20,775) | (40,955) | (13,562) | (28,697) |
| Present value adjustment of trade payables | - | (82,003) | - | (35,268) |
| Interest on remiss trade receivables | - | (9,717) | - | (5,080) |
| Other finance expenses | (1,565) | (7,449) | (101) | (1,057) |
| | 22,340 | (175,373) | (13,663) | (81,823) |
| Exchange rate variation on borrowings and financing | (41,886) | (53,508) | (112,616) | (152,555) |

## 23. TRANSACTIONS NOT AFFECTING CASH

Changes in equity not affecting the Company's cash flows are as follows:

| | Consolidated 3/31/2016 |
|---|---|
| Purchases of property, plant and equipment with finance lease | 3,054 |

## 24. EMPLOYEE BENEFITS

The Company offers to its employees' health care benefits, dental reimbursement, life insurance, meal ticket, transportation voucher, among others. The expense on such benefits, recorded during the year ended March 31, 2016 was R$7,536 (R$3,300 for the year ended March 31, 2015).

## 25. INSURANCE (CONSOLIDATED)

The Company have insurance contracts for operational risks, vehicles, civil liability - property damage, bodily injury and general civil liability. The coverage of these insurance contracts is determined by specialists, in amounts considered by Management sufficient to cover eventual risks on its assets and/or liabilities. As of March 31, 2016, insurance coverage is as follows:

| Coverage | Effective period | Coverage amount R$ |
|---|---|---|
| Plant | | |
| Fire, including fire caused by riot, strikes, aircraft crashes, lightning and explosions of any nature | 04/11/2015 to 04/30/2016 | 105,000 |
| Electrical damages | | 200 |
| Windstorm, hurricane, cyclone, tornado, hail and smoke | | 2,000 |
| Falling Aircraft or any other gadgets Aereos | | 3,000 |
| Impact of land vehicles | | 3,000 |
| Robbery and theft | | 1,000 |
| Riots, strikes e lock out | | 400 |
| Deterioration of products in refrigerated environments | | 510 |
| Stationary equipment in the facilities | | 800 |
| Recovery of records and documents | | 100 |
| Fixed expenses | | 5 |
| Internal Moving | | 3,000 |
| Others | | 610 |

| Coverage | Effective period | Coverage amount |
|---|---|---|
| Office | | |
| Fire | | 8,000 |
| Electrical damages | | 200 |
| Recovery of records and documents | | 500 |
| Fixed expenses | 12/19/2014 to | 400 |
| Electronic equipment | 12/19/2015 | 250 |
| Equipment/Portable objects | Extended to | 20 |
| Loss/ Rent | 04/30/2016 | 801 |
| Breaking windows/mirrors | | 100 |
| Robbery and theft | | 300 |
| Windstorm, hurricane, cyclone, tornado, hail and smoke | | 1,000 |
| Civil liability of Management | 01/04/2016 to 31/03/2017 | 20,000 |
| Civil liability | | |
| Civil liability of Employer | | |
| Civil Liability Fairs and Exhibitions | | |
| Civil Liability Robbery / Theft Third Party Goods | | |
| Contingent Liability Vehicles and Transport Employees | | 15,000 |
| Liability Products in the National Territory | 01/04/2016 to 31/03/2017 | |
| Liability Products Abroad | | |
| Civil Liability for Project Error in Brazil and abroad | | |
| Garage Keeper's Liability | | 1,000 |
| Pain & Suffering | | 3,000 |
| International transport insurance | 08/14/2015 to 08/14/2016 | 100% of value imported |
| Vehicles Insurance | 12/10/2015 to 12/10/2016 | 100% of vehicles |

## 26. NET PRESENT VALUE ADJUSTMENT (CONSOLIDATED)

As required by its Parent Company, in order for them to follow Indian accounting practices ("Indian GAAP"), the following are the adjustments that could be made if the net present value needs to be reversed for the purposes of Indian GAAP:

| | |
|---|---|
| Opening balance sheet entry (Marth 31, 2014): | |
| Dr. Trade accounts receivable | 17,589 |
| Cr. Retained earnings | 9,584 |
| Dr. Net effect on profit and loss | 291 |
| Cr. Trade payables | 8,296 |
| | |
| Current period entry (April 1,2014 to March 31,2015): | |
| Dr. Trade accounts receivable | 13,252 |
| Cr. Trade payables | 5,807 |
| Dr. Cost of sales | 41,075 |
| Dr. Financial income | 49,874 |
| Cr. Net revenues | 63,126 |
| Cr. Financial expenses | 35,268 |
| | |
| Current period entry (April 1,2014 to March 31,2015): | |
| Closing balance sheet entry (Marth 31, 2015): | |
| Dr. Trade accounts receivable | 30,841 |
| Cr. Retained earnings | 9,293 |
| Cr.Net effect on profit and loss | 7,446 |
| Cr. Trade payables | 14,102 |

Current period entry (April 1,2015 to March 31,2016):

| | |
|---|---|
| Dr. Trade accounts receivable | 7,965 |
| Cr. Trade payables | 14,180 |
| Dr. Cost of sales | 96,182 |
| Dr. Financial income | 102,213 |
| Cr. Net revenues | 110,178 |
| Cr. Financial expenses | 82,003 |

Closing balance sheet entry (Marth 31, 2016):

| | |
|---|---|
| Dr. Trade accounts receivable | 38,806 |
| Cr. Retained earnings | 16,739 |
| Dr.Net effect on profit and loss | 6,215 |
| Cr. Trade payables | 28,282 |

## 27. APPROVAL OF FINANCIAL STATEMENTS

The individual and consolidated financial statements for the year ended March 31, 2016, approved and presented on April 15, 2016.